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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SMARTMETRIC, INC.,

Plaintiff,

v.

MASTERCARD INTERNATIONAL
INCORPORATED AND VISA INC.,

Defendants.

AND RELATED COUNTERCLAIMS

Case No. 11-CV-7126 MWF (AJWx)

MEMORANDUM IN SUPPORT OF
PLAINTIFF SMARTMETRIC INC.
MOTION FOR PARTIAL SUMMARY
JUDGMENT OF INFRINGEMENT OF
U.S. PATENT 6,792,464 CLAIMS 1, 5-7,
11, AND 13, AND FOR DISMISSAL
WITH PREJUDICE OF THE
ANTICIPATION AFFIRMATIVE
DEFENSE

Date: June 24, 2013

Time: 10:00 a. m.

Place: Court of District Judge Fitzgerald

I. INTRODUCTION

Plaintiff Smartmetric, Inc. ("Plaintiff") moves under Rule 56(a), Fed. R. Civ. P., for partial summary judgment that Defendants' EMV systems literally infringe claims 1, 5-7, 11 and 13 of Plaintiff's U. S. patent 6,792,464 (the "464 Patent") in suit, as Mr. Edward Gussin's concurrently-filed declaration paragraphs 3-16, and the exhibits thereto, show. The parties have discussed this motion under LR 7-3, to no avail.

Plaintiff also moves to dismiss with prejudice Defendants' affirmative defense of anticipation. Defendants must plead/prove this affirmative defense by clear and convincing evidence. Anticipation is an issue of fact, not of law. To anticipate, a single prior art reference must disclose all elements of a claim arranged as in the claim. See *Electro Medical Systems S. A. v. Cooper Life Sciences Inc.* 34 Fed. 3d 1048 (Fed. Cir. 1994), holding that: "Anticipation must be proved by clear and convincing evidence. (citation omitted) Anticipation ...requires the presence in a single prior art disclosure of each and every element of a claimed invention...and is a question of fact." *Accord, Gechter v. Davidson*, 116 Fed. 3d1454 (Fed. Cir. 1997). The single prior art reference must not only disclose all elements of a claim within its four corners, but must also disclose those elements "arranged as in the claim." See *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548 (Fed. Cir. 1983)

Defendants assert that Dancs U.S. patent 6,108,789 and Kleinrock U.S. patent 6,795,852 anticipate the claims at issue on this motion, but neither of these patents meets the test for anticipation because one or more elements of the claims at issue here are absent from each of these patents. See the concurrently filed Gussin declaration at paragraphs 18-19.

1 The Court should decline to exclude Mr. Gussin's declaration filed in support
2 of this motion for the reasons set forth in Plaintiff's March 15, 2013 opposition to
3 Defendants' ex parte application, and in Section VI below.

4 **II. SUMMARY JUDGMENT OF INFRINGEMENT IS APPROPRIATE**
5 **HERE**

6 The grant of partial summary judgment under Fed. R. Civ. P. 56 is appropriate
7 in a patent case where no genuine issue of material fact exists and the movant is
8 entitled to judgment as a matter of law. *Becton Dickinson & co. v. C.R. Bard, Inc.*,
9 922 F.2d 792, 795 (Fed. Cir. 1990). To find literal infringement, an accused
10 product or method must contain/embody each element of the claim. See, *Cole v.*
11 *Kimberly-Clark Corp.*, 102 F.3d 524, 532 (Fed. Cir. 1996); see also, *Digital*
12 *Biometrics, Inc. v. Identix, Inc.*, 149 F.3d 1335, 1349 (Fed. Cir. 1998).

13 **A. THE CONCURRENTLY-FILED GUSSIN DECLARATION**
14 **SHOWS THAT DEFENDANTS' ACCUSED EMV SYSTEMS**
15 **INCLUDE EACH ELEMENT OF, AND THEREFORE**
16 **LITERALLY INFRINGE CLAIMS 1, 5-7, 11, AND 13, OF THE**
17 **'464 PATENT.**

18 **1. VISA AND MASTERCARD'S EMV SYSTEM LITERALLY**
19 **INFRINGE CLAIM 1 OF THE '464 PATENT:**

20 The concurrently filed declaration of Edward L. Gussin, at paragraphs 6-11,
21 and chart (Exhibit 6) shows that the VISA and MasterCard EMV systems literally
22 infringe claim 1 of the '464 patent; stating that:

23 6. The first element of Claim 1 of the '464 patent is (1) "A computer
24 system for allowing a user to automatically access one of a plurality of network
25 service providers which require information specific to the user and/or the network
26 service provider to be accessed, the computer system comprising" The following
27 documents show this element is present in the accused VISA and MasterCard
28

1 EMV systems: Visa documents VIS-SM00005566 and VIS-SM00008151 describe
2 a cardholder controlled terminal connected via a public network; VIS-
3 SM00006156 Table A-3 describe Data Elements for On-line transactions, and
4 shows the card as the source of user and issuer data; VIS-SM00006212 is a
5 diagram of a computer system for allowing a user to automatically access one of a
6 plurality of network service providers; VIS-SM00008703 is a functional flow chart
7 showing card, terminal, network, and issuer, with issuer application data and
8 transaction data shown on the card. MasterCard documents MII 00006837, MII
9 00008357, and MII 00006964 describe a cardholder controlled terminal connected
10 via a public network; EMV Contactless Book C-1 Table A-3 describes Data
11 Elements for On-line transactions, and shows the card as the source of user and
12 issuer data; MII 00008367 and MII 00006854 state that as soon as the card is
13 inserted into the reader, the message "Please Wait" should be displayed to reassure
14 the cardholder that the transaction is being processed; MII 00004867 is a
15 functional flow chart showing card, terminal, network, and issuer, with issuer
16 application data and transaction data shown on the card.

17 7. The second element of claim 1 of the '464 patent is (2) "a data card
18 which contains the information specific to the user and/or the network service
19 provider to be accessed[.]" The following documents show this element is present
20 in the accused VISA and MasterCard EMV systems: Visa document VIS-
21 SM00008703 is a functional flow chart showing card, with issuer application data
22 and transaction data shown on the card; VIS SM00006156 Table A-3 shows Data
23 Elements for On-line Transactions, and shows the card as the source of user and
24 issuer data. MasterCard document MII 00004867 is a functional flow chart
25 showing card, with issuer application data and transaction data shown on the card;
26 EMV Contactless Book C-1 Table A-3 describes Data Elements for On-line
27

1 transactions, and shows the card as the source of user and issuer data.

2 8. The third element of claim 1 of the '464 patent is (3) "a data card
3 reader adapted to access at least part of the information contained on the data card
4 when the data card is in communication therewith[.]" The following documents
5 show this element is present in the accused Visa and MasterCard EMV systems:
6 Visa document SM0006190 describes the POS system is the collective term given
7 to the payment infrastructure present at the merchant. It is made up of the
8 Terminal and Reader. The Reader is the device that supports the Kernel(s) and
9 provides the contactless interface used by the Card. MasterCard documents MII
10 00008367 and MII 00006854 describes the IFD should have a pictogram near the
11 card slot indicating how to insert the card into the IC reader. As soon as the card is
12 inserted into the reader, the message "Please Wait" should be displayed to reassure
13 the cardholder that the transaction is being processed.

14
15 9. The fourth element of claim 1 of the '464 patent is (4) "a data
16 processor in communication with the data card reader and adapted to be connected
17 to a network[.]" The following documents show this element is present in the
18 accused Visa and MasterCard EMV systems: Visa document VIS-SM00008703 is
19 a functional flow chart showing card, terminal, network, and issuer. The terminal
20 (data processor) is shown connected to the card reader and connected to a network;
21 VIS-SM0006190 states the POS system is the collective term given to the payment
22 infrastructure present at the merchant, which is made up of the Terminal (data
23 processor) and Reader. MasterCard document MII 00004867 is a functional flow
24 chart showing card, terminal, network, and issuer. The terminal (data processor) is
25 shown connected to the card reader and connected to a network; MII 00008367 and
26 MII 00006854 shows the IFD should have a pictogram near the card slot indicating
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28

1 how to insert the card into the IC reader. As soon as the card is inserted into the
2 reader, the message "Please Wait" should be displayed to reassure the cardholder
3 that the transaction is being processed.

4 10. The fifth element of claim 1 of the '464 patent is (5) "an application
5 program resident on the data processor, said application program being configured
6 to automatically retrieve at least part of the information contained on the data card
7 when the data card is in communication with said data card reader and to use said
8 information to gain access to one of the plurality of network service providers via
9 the network by using one of a default access number indicating a designated
10 network service provider and a local access number from a database containing a
11 list of access numbers for the plurality network service providers along with
12 corresponding location information for each access number in the list[.]" The
13 following documents show this element is present in the accused Visa and
14 MasterCard EMV systems: VISA documents VIS-SM000017639 is a
15 Transactional Flow Table, showing a summary of the transaction processing steps.
16 Step 1, The chip card is inserted into the chip reading device. Step 2, Application
17 Selection, The device determines the applications supported by the card. Step 10,
18 Online Processing, If requested, the device will send the transaction online. The
19 device sends the ARQC, the original data element used by the chip . . . online to
20 the acquirer; VIS-SM00017378, VIS-SM00017379 VisaNet has enhanced Routing
21 and Stand-in Processing Services. During authorization processing, VisaNet
22 considers the results of the card and device interaction to make routing decision.
23 Table 7-3 VSDC Routing and STIP Options shows a column indicating Route to
24 Issuer Default conditions. MasterCard document MII 00004867 shows a
25 Functional flow chart showing card, terminal, network and issuer. The terminal
26 (data processor) is shown connected to the card reader and connected to a network.
27

MII 00008367 and MII 00006854 shows the IFD should have a pictogram near the card slot indicating how to insert the card into the IC reader. As soon as the card is inserted into the reader, the message "Please Wait" should be displayed to reassure the cardholder that the transaction is being processed. MII 00014949 and MII 00014950 shows The Authorization Platform provides the following: Backup to primary (default) routing and authorizing paths. MII 00014951 and MII 00086908 shows the network routes transactions via multiple paths. Stand-In processing uses issuer-established parameters to process authorization transactions. MII 00014980 shows the MasterCard Network, unable to route the authorization request to the online issuer, routes it to Stand-In processing. MII 00096113 shows Acquirers may default route to the Interchange System any Transaction not belonging to their proprietary network. Acquirers who do not default route must update their financial institution table (FIT). Acquirers who do not default route to the Interchange System must use the FIT for routing.

11. The final element of claim 1 of the '464 patent is (6) "wherein said application program is immediately triggered upon insertion of said data card into said data card reader." The following documents show this element is present in the accused Visa and MasterCard EMV systems: VISA documents VIS-SM00005583 and VIS-SM00008161 shows as soon as the card is inserted into the reader, the message "Please Wait" should be displayed to reassure the cardholder that the transaction is being processed. VIS-SM00005983 shows the POS System must be configured such that a contactless transaction is either initiated by terminal action or starts automatically after the previous transaction has completed. If the value of Autorun is "Yes", then the transaction start is when a card enters the polling field. MasterCard document MII 00008367 shows that as soon as the card is inserted into the reader, the message "Please Wait" should be displayed to

1 reassure the cardholder that the transaction is being processed.

2 **2. VISA AND MASTERCARD'S EMV SYSTEM LITERALLY**
3 **INFRINGE CLAIMS 5-7, 11 AND 13 OF THE '464 PATENT:**

4 The concurrently filed declaration of Edward L. Gussin and chart (Exhibit 6),
5 at paragraphs 3-5, 12-16, shows that the VISA and MasterCard EMV systems
6 literally infringe claims 5-7, 11 and 13 of the '464 patent.

7
8 **III. THIS COURT SHOULD DISMISS WITH PREJUDICE**
9 **DEFENDANTS' AFFIRMATIVE DEFENSE OF**
10 **ANTICIPATION**

11 This Court should also dismiss with prejudice Defendants' affirmative
12 defense of anticipation. Defendants assert that Dancs U.S. patent 6,108,789
13 ("Dancs") and Kleinrock U.S. patent 6,795,852 ("Kleinrock") each anticipate the
14 claims at issue on this motion, but neither of these patents disclose all of the
15 elements of any of these claims. See the concurrently-filed Gussin declaration at
16 paragraphs 18-19.

17 Absent from the Dancs patent is disclosure of (1) an application program
18 being immediately triggered upon insertion of a data card into a data card reader
19 and (2) a database containing a list of access numbers or network service providers
20 along with corresponding location information for each access number in the list.
21 Although Dancs, in figure 3, shows a step "smart card detected??" there is no
22 indication or requirement that the following operation starts immediately following
23 the card detection or without the user taking action to confirm the operation.
24 Nowhere in Dancs is the timing or requirement for immediate triggering addressed
25 or discussed.

26 Dancs' reference to a local Internet Access Provider (IAP) refers to the
27 default IAP. If this "local" ISP is not used, for whatever reason, the network client
28

1 looks to the database located on the relationship server. Nowhere in Dancs is there
2 any indication that the database located on the relationship server contains
3 information on the geographical location of the ISPs provided back to the network
4 client is based on location information. Dancs, at col 7, line 51-53, specifically
5 states that the smart card contains information associated permanently with the
6 user, and is not subject to the user's location. Dancs does not compare the
7 geographic home location of the user with information stored in the database on
8 the relationship server to determine further action by the application program.

9 Absent from the Kleinrock patent is disclosure of (1) an application program
10 being automatically and immediately triggered upon insertion of a data card into a
11 data card reader and (2) a default access number indicating a designated network
12 service provider. Kleinrock does not discuss the insertion of a data card into a data
13 card reader, and there is no indication or requirement that any processing steps or
14 operation starts immediately following any action. Nowhere in Kleinrock is the
15 timing or requirement for automatic or immediate triggering addressed or
16 discussed with respect to a data card or a data card being inserted into a reader.

17 Kleinrock has no default access number for a designated primary or
18 preferred network service provider. Instead, in all embodiments, Kleinrock
19 describes the dialing of a designated central processing system which contains a
20 database of ISP providers. There is no default ISP provider identified, selected, or
21 provided to the user.

22 Accordingly, neither Dancs nor Kleinrock, taken alone as required in an
23 anticipation analysis, discloses each and every element of the claims at issue here,
24 arranged as in these claims. This Court should dismiss with prejudice Defendants'
25 anticipation affirmative defense.

**IV. THE COURT SHOULD ADMIT AND CONSIDER GUSSIN'S
DECLARATION IN SUPPORT OF THIS MOTION**

The Court should decline Defendants' request to exclude Mr. Gussin's declaration filed in support of this motion. Plaintiff's counsel served the report of plaintiff's infringement/validity expert, Edward Gussin, after the date set by the Court's scheduling order for doing so. But under FRCP Rule 37(c), applicable here, the Court should not exclude Gussin's expert report, or Gussin's expert declaration in support of Plaintiff's motion for summary judgment. That Rule prohibits exclusion where the failure to timely designate the expert or serve his report, pursuant to FRCP Rule 26, was "substantially justified or is harmless". This is not a case of nondisclosure, just a case of short delay when the case is still in the discovery phase, and months from trial, and the short delay was both "substantially justified" and harmless.

Plaintiff's delay in serving Gussin's expert report is "substantially justified", because Defendants made it impossible for Gussin to complete his analysis or report by the date in the Court's scheduling order. Defendants delayed 7 months (until February 13, 2013—which was after the date set by the Court's scheduling order for serving expert reports) before Defendants produced to Plaintiff the documents showing how Defendants' system functioned, though Plaintiff's counsel had served a timely Rule 34 Request for Production of those documents, in June 2012. Gussin could not complete his analysis or report without having Defendants' documents showing how Defendants' system functioned. See his March 15, 2013 declaration so stating. Meanwhile, Defendants based their experts' reports on the documents withheld from production to Plaintiff.

In addition, Plaintiff's short delay is "harmless", because this case is still in the discovery phase, is months from trial, and Defendants are taking Gussin's

1 declaration on March 27, 2013 (Bright Decl). Plaintiff's counsel has now
2 continued hearing on Plaintiff's motion for summary judgment, to May 13, 2013,
3 giving Defendants adequate time to oppose. (Bright Decl, para. 1; Gussin 3/15/13
4 declaration).

5 If the Court were to decide to sanction Plaintiff for the short delay, Fed. R.
6 Civ. Proc. 37(c) subsections (A), (B) and (C), call for imposition of a lesser
7 sanction than exclusion of the expert witness, e.g., a trial continuance. Patent cases
8 require an expert on infringement/validity. Excluding Plaintiff's expert on
9 infringement /validity for the short delay in serving the expert report here would be
10 equivalent to granting summary judgment against Plaintiff, and would be
11 reversible error. See also Plaintiff's March 15, 2013 Opposition to Defendants' Ex
12 Parte Application to exclude Gussin's report, explaining fully why Mr. Gussin's
13 declaration/report should not be excluded.

14 V. CONCLUSION

15 This Court should grant Plaintiff SmartMetric, Inc.'s motion for partial
16 summary judgment of claims 1, 5-7, 11 and 13 of the '464 patent, based on
17 Gussin's un rebutted declaration testimony, and should dismiss with prejudice
18 Defendants' affirmative defense of anticipation for failure to prove this defense by
19 clear and convincing evidence, again based on Gussin's declaration testimony.

20 Dated: April 24, 2013

Respectfully submitted,

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